

EXHIBIT 1

1 BRIAN WEISS
Court Appointed Receiver
2 Force Ten Partners, LLC
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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 In re
12 EAGAN AVENATTI, LLP
13 Debtor.
14

Case No. 8:18-CV-01644-VAP-KES
**RECEIVER'S SEVENTH AND
FINAL REPORT**

1 Pursuant to the Joint Stipulation between Judgment Debtor Eagan Avenatti,
2 LLP (“EA”) and Michael Avenatti (“Avenatti”) and Judgment Creditor Jason Frank
3 Law, on February 13, 2019, I (Brian Weiss) was appointed as the Receiver of EA
4 (the “Appointment Order”) [Docket No. 53].

5 On September 13, 2019, I caused EA to file a voluntary petition bankruptcy
6 under 11. U.S. Code Chapter 7 (Case No. 8:19-bk-13560-CB). This is my report for
7 the period from September 1, 2019 through September 13, 2019, the bankruptcy
8 petition date (“Petition Date”). The bankruptcy was filed due to a judgment
9 obtained against EA and continued litigation being pursued against EA resulting
10 from multiple litigation claims arising from litigation settlements achieved by EA
11 then purportedly improperly diverted by Michael Avenatti and as further described
12 below.

13 The purpose of this report is to provide:

- 14 • A narrative of material events;
- 15 • A financial report;
- 16 • An accounting of the income and expenses incurred in the
17 administration of EA, including the Receiver’s fees and expenses.

18 **Efforts by the Receiver to Identify, Quantify and Recover Assets and Material**
19 **Events**

20 • I have performed extensive analyses of EA banking transactions and
21 identified approximately fifty parties that may have received transfers from EA that
22 may be avoidable and recoverable by the receivership estate under applicable State
23 laws. Landau Gottfried & Berger LLP (“LGB”) sent letters to persons and entities
24 identified by me who received such transfers for the return of those transfers to the
25 estate. Up to the Petition Date, LGB communicated with those transferees or their
26 respective legal counsel concerning the estate’s claims and any defenses asserted by
27 the transferees and attempting to resolve the estate’s claims. In some instances,
28 LGB determined that the transfers are not avoidable because the payments were in

1 satisfaction of legitimate obligations incurred by EA. In other instances, LGB
2 determined that the transferee is no longer in business or is located outside of and
3 has no business operations within the United States. In other instances, LGB
4 received responses to my demand letters requesting additional information about
5 my claim seeking repayment of the transfers. LGB substantively responded to
6 those requests, however, up to the Petition Date, LGB's efforts did not result in
7 any settlements or settlement offers. Accordingly, after reviewing the exchanges
8 between LGB and the transferees or their legal counsel and further discussions with
9 LGB, I authorized LGB to complete the preparation of and to file asset recovery
10 complaints. LGB began prepared to begin filing avoidable transfer recovery
11 complaints. I and LGB have discussed with the EA bankruptcy trustee and are in
12 process of turning over the information to him.

13 • In litigation entitled *Eagan Avenatti, LLP v. Stoll, et al., etc.*, Case No. 30-
14 2011-00483570 [consolidated with Case No. 30-2013-00627604]¹, pending in the
15 Superior Court of California, County of Orange, defendant Stoll, Nussbaum &
16 Polakov ("SNP") filed a second amended complaint (the "SAC") against EA,
17 alleging various claims arising from EA's purported diversion of legal fees claimed
18 as owed to it as contingency fee co-counsel with EA in litigation resolved in the
19 client's favor. LGB, at my instruction, cooperated with SNP by providing financial
20 and other information about this receivership case, explaining why litigation against
21 the estate would not be in the interests of either party and why I would not accept
22 service of the FAC unless and until the District Court approved a motion requiring
23 me to do so, and offering to allow SPN a claim against the receivership estate for
24 the contractual amount of its claimed fee. SPN rejected that offer and my demand
25 that it obtain leave of this Court prior to proceeding against me on the SAC.

26
27 ¹ Two parties in this consolidated case also commenced litigation against EA and certain former firm
28 attorneys in the Santa Barbara Superior Court, *Parrish, et al., v. Michael Avenatti, et al.*, Case No. 19CV01686.

1 Instead, SNP served on me and filed a request for entry of default on that pleading.
2 At my request, LGB filed an objection to the default. Notwithstanding my
3 objection, the clerk of the court has entered a default (but not a default judgment)
4 against EA. I have instructed LGB to move to set aside entry of the default. SPN
5 also served on me both a subpoena and a request to produce documents. LGB has
6 objected to both of those discovery pleadings on numerous grounds. Although,
7 pursuant to the Appointment Order, Avenatti has no authority to act for EA, on or
8 about July 22, 2019, Avenatti purported to serve and file an answer on behalf of EA
9 to SNP's SAC; in that pleading, Avenatti identified himself as the "Attorney" EA
10 and other cross-defendants. I have instructed LGB to notify the California State
11 Bar of that unauthorized filing by Avenatti;

12 • In the prior reporting period, EA's former client Geoffrey E. Johnson filed a
13 complaint entitled *Johnson v. Avenatti, et al.*, Case No. 30-2019-01076162-CU-PN-
14 CJC, in the Superior Court of California, County of Orange. The complaint asserts
15 various claims against EA and certain former attorneys and a staff member of the
16 firm for various claims arising from the purported improper diversion of funds from
17 a settlement achieved on Mr. Johnson's behalf. At my instruction, LGB
18 communicated with plaintiff's counsel about that claim and provided information
19 about this receivership, explained why litigation against the estate would not be in
20 the interests of either party and why I would not accept service of the complaint
21 unless and until the District Court approved a motion requiring me to do so, and
22 offering to allow plaintiff's claim against the receivership estate for the contractual
23 amount to which he would be entitled pursuant with his engagement agreement
24 with EA. To date, I have not received notice that Mr. Johnson's counsel has sought
25 relief from the District Court to serve that complaint on me and or that Mr. Johnson
26 is agreeable to the settlement proposal made to his counsel by LGB. Instead, in this
27 Reporting Period, Mr. Johnson's counsel filed a request for entry of default against
28 EA. At my request, LGB filed an opposition to that request on the ground that

1 under California law the receivership estate is not a proper party unless and until
2 leave to pursue litigation against me as the Receiver is obtained from the District
3 Court. Notwithstanding my objection, the clerk of the court has entered a default
4 (but not a default judgment) against EA. I have instructed LGB to move to set
5 aside entry of the default. At about the same time Mr. Johnson served a document
6 request and form interrogatories on me, as the Receiver. LGB has objected to that
7 discovery, as well.

8 • Prior to this reporting period former EA client Gregory Barela and Talitha
9 Barela commenced an arbitration through JAMS against Michael Avenatti,
10 Avenatti & Associates, EA and certain of the firm's attorneys for various claims
11 arising from the purported improper diversion of funds from a settlement achieved
12 on Mr. Barela's behalf. My counsel and I met with Mr. Barela's attorney about that
13 claim and provided information about this receivership, explained why litigation
14 against the estate would not be in the interests of either party, and offering to allow
15 Mr. Barela's claim against the receivership estate for the contractual amount owed
16 to him pursuant with his engagement agreement with EA. Thereafter, LGB
17 received communications from JAMS stating that the claimants intended to pursue
18 the arbitration. During this Reporting Period, Avenatti filed a motion to stay the
19 JAMS arbitration, arguing, among other things, that prosecuting the matter to
20 judgment while criminal charges are pending against Avenatti would violate his
21 Constitutionally protected right against self-incrimination. In response, the
22 claimants requested that the proceeding be dismissed without prejudice so that they
23 could seek relief in the Superior Court;

24 • In April 2019, former EA clients, William Parrish and Timothy Fitzgibbons
25 commenced litigation entitled *Parrish, et al. v. Avenatti, et al.*, Case No.
26 19CV10686, in the Superior Court of California, County of Santa Barbara, against
27 Avenatti, EA and others. The complaint asserts causes of action against the
28 defendants for, among other things, professional negligence, breach of fiduciary

1 duty and fraud. At my request, LGB has communicated with the plaintiffs' counsel
2 about those claims, the assets and potential liabilities of the receivership estate, and
3 settlement. They also informed plaintiffs' counsel that I would not voluntarily
4 appear in that action unless and until plaintiffs filed a motion before the District
5 Court for leave to proceed against the estate and obtained an order approving that
6 request. To date, I have not received notice that such motion has been filed.

7 • The receivership estate is pursuing an interest in a Honda jet indirectly
8 owned by Avenatti and a third-party which has been seized by the IRS to pay taxes
9 claimed as owed by Avenatti. EA had used its funds to pay part of the purchase
10 price of the jet and, for that reason, my counsel and I believe the estate has a right
11 to recover that sum upon the sale of the jet. Discussions with multiple parties
12 asserting an interest in the jet are on-going to sell the jet and resolving competing
13 claims against the anticipated sale proceeds. Those discussions have continued,
14 including through an "all-hands" conference call with counsel for the IRS and all
15 parties (through their respective counsel) asserting a financial claim in the jet. To
16 date, the dispute over the disposition of the jet has not been resolved,
17 notwithstanding that the failure to immediately sell that asset creates additional
18 expenses which likely will diminish the net value available upon the sale of that
19 asset. Accordingly, I have instructed LGB to continue to attempt to resolve the
20 disputed issues. Most recently, in response to a request by one of the parties who is
21 a member with Avenatti in a limited liability company (Passport 420 LLC) which is
22 the record owner of the jet, LGB produced documents explaining and documenting
23 the sources and flow of funds used to purchase the jet.

24 • Recently, I learned that Lisa Storie-Avenatti (Avenatti's former spouse)
25 caused a writ of execution to be issued by the Orange County Family Law Court
26 presiding over the Avenatti marital dissolution proceeding is pending. The writ
27 was levied by the Orange County Sheriff's office against art works in the
28 possession of a third-party art storage facility, which assets were paid for by EA

1 and are assets of the receivership estate. During this Reporting Period, LGB
2 successfully objected to and obtained a temporary stay of the Sheriff's sale of the
3 art. Pursuant to that stay, LGB prepared a complaint against Ms. Storie, Avenatti,
4 and Avenatti & Associates APC to set aside and recover EA assets (including the
5 art) pursuant to the California Voidable Transfer Act, for a judicial determination
6 that the art is property of the receivership estate, and other various causes of action,
7 including breach of fiduciary duty. That complaint was filed as an adversary
8 proceeding in the bankruptcy case (*Marshack v. Avenatti*, 8:19-ap-01186-CB).

9 • During this Reporting Period, I learned that EA's former landlord, 520
10 Newport Center Drive LLC had obtained a Judgment against EA in the amount of
11 \$242,874.39 and had recorded an Abstract of Judgment in that amount in Los
12 Angeles County.

13 • Based on my assessment, as of the date of this report, and subject to further
14 investigation, the key assets potentially available for recovery include:

- 15 • Attorneys' fees from active client cases, most of which are
16 contingency-based;
- 17 • Artwork (see above) and office furniture and equipment, which may be
18 subject to an enforceable Asset Purchase Agreement by which X-Law
19 Group purportedly purchased those assets from EA. Certain of the
20 assets also may be subject to a Superior Court Order and a Marital
21 Dissolution Agreement between Avenatti and his former spouse, Lisa
22 Storie-Avenatti and to a Judgment lien asserted by Jason Frank Law;
- 23 • EA funds used to purchase an interest in the Honda jet owned by
24 Passport 420 LLC (an entity in which Avenatti claims an ownership
25 interest). As discussed above, the jet has been seized by the IRS and
26 currently is held in a third-party aircraft storage facility. I have been
27 working with LGB and counsel for the IRS to reach an agreement for
28 the sale of the jet.

• As also previously reported, LGB and I have been required to respond to claims by or on behalf of Avenatti to obtain at no cost Avenatti, and without EA client approval, unfettered access to and a copy of all of EA's client files and EA business and financial records. In connection therewith, LGB has responded to requests for information by the California State Bar, including in the form of a declaration signed under penalty of perjury and filed in a pending Bar proceeding against Avenatti. Shortly after that declaration was filed, Avenatti filed a motion in the criminal proceeding against him, *United States of America v. Avenatti*, Case No. SACR 19-61-JVS, pending in the United States District Court, Central District of California, for access to those documents. At my instruction, LGB opposed that motion on the grounds that I have repeatedly offered to make relevant documents available to Avenatti on reasonable terms, which offers he has ignored or rejected. At the August 26, 2019, hearing on that motion the Court denied Avenatti's request. Shortly thereafter, Avenatti informally agreed to the general terms I previously offered for access to documents.

Financial Report

As of September 13, 2019, I am holding pursuant to the Appointment Order \$6,265.51 in cash. As of the date the Appointment Order, EA did not have cash in its bank accounts.

Summary of EA's Monthly Income and Expenses

From the date of the Appointment Order through August 31, 2019, the EA receivership estate has incurred no operating costs. The professional fees incurred during this reporting period and since my appointment as the Receiver include the following:

Professional	Fees & Costs Incurred	Fees Paid	Total Fees Due
Receiver & Force Ten Partners, LLC	September 1, 2019 to September 13, 2019 \$18,432.00 See Exhibit A	\$0	\$170,478.68
Landau Gottfried & Berger LLP	September 1, 2019 to September 13, 2019 \$37,760	\$0	\$422,015.50

Termination of the Receivership Estate

On October 1, 2019, I caused to be filed a Motion to Terminate the Receivership and a First and Final Application of Receiver for Approval and Payment of Fees and Reimbursement of Costs to the extent the proceeds available to pay such amount. The Receiver also seeks from the Court a release of any and all responsibility for the Receivership Property and a discharge of any liability with regard to the Receivership Property and conduct of the Receivership.

I hereby declare that this report is accurate to the best of my knowledge.

Executed at Newport Beach, California on October 1, 2019.

BRIAN WEISS, RECEIVER

EXHIBIT A

INVOICE



From **Force 10 Partners**
 20341 SW Birch, Suite 220
 Newport Beach, CA 92660
 (949) 357-2360
 www.force10partners.com

Invoice For **Eagan Avenatti, LLP
 Receivership**

Invoice ID **1300**
 Invoice Date 10/01/2019
 Due Date 10/01/2019 (upon receipt)

Subject Professional services rendered.

Item Type	Description	Time (in hours)	Rate	Amount
Service	09/03/2019 - Information Technology Consulting / Erik Nathan: Call with S.Sims for data.	0.30	\$375.00	\$112.50
Service	09/03/2019 - Business Operations / Brian Weiss: Read correspondence from JR re: Barella document production and telco with JR re: same.	0.20	\$495.00	\$99.00
Service	09/05/2019 - Business Operations / Brian Weiss: Telco with JR re: case issues.	0.10	\$495.00	\$49.50
Service	09/06/2019 - Information Technology Consulting / Erik Nathan: Search for engagement letters. Internal discussion.	0.40	\$375.00	\$150.00
Service	09/06/2019 - Business Operations / Brian Weiss: Telco with JR re: potential bankruptcy filing.	1.00	\$495.00	\$495.00
Service	09/07/2019 - Business Operations / Brian Weiss: Prepare bankruptcy petition, schedules, SOFA and related exhibits.	5.70	\$495.00	\$2,821.50
Service	09/07/2019 - Information Technology Consulting / Erik Nathan: Locate QB files in forensic images. Extract QB files. Remove passwords from QB files. Update QB files for access. Upload files to Gdrive. Internal discussion.	1.10	\$375.00	\$412.50
Service	09/08/2019 - Accounting & Bookkeeping / Ellen Sprague: Review QuickBooks file and set up	0.40	\$255.00	\$102.00

Service	09/09/2019 - Accounting & Bookkeeping / Ellen Sprague: Review invoices received via USPS and update QB for revised vendor information, provide to B Weiss	5.40	\$255.00	\$1,377.00
Service	09/09/2019 - Information Technology Consulting / Erik Nathan: Search for and produce various documents related to EA engagement in specific cases.	1.30	\$375.00	\$487.50
Service	09/09/2019 - Business Operations / Brian Weiss: Prepare information for bankruptcy petition, SOFA and Schedules.	6.60	\$495.00	\$3,267.00
Service	09/09/2019 - Business Operations / Brian Weiss: Telco with JR re: EA bankruptcy filing.	0.70	\$495.00	\$346.50
Service	09/10/2019 - Accounting & Bookkeeping / Ellen Sprague: Continue review of outstanding vendor balances, update vendor database	2.50	\$255.00	\$637.50
Service	09/10/2019 - Business Operations / Brian Weiss: Prepare information for bankruptcy petition, SOFA and Schedules.	4.40	\$495.00	\$2,178.00
Service	09/10/2019 - Business Operations / Brian Weiss: Telco with J. Reitman re: MA's access to servers.	0.30	\$495.00	\$148.50
Service	09/10/2019 - Business Operations / Brian Weiss: Analyzing documents for X-Law asserted cases and prepare documents and correspondence to JR re: same.	0.60	\$495.00	\$297.00
Service	09/11/2019 - Accounting & Bookkeeping / Ellen Sprague: Update creditor mailing database and forward to counsel, follow up call re database	0.40	\$255.00	\$102.00
Service	09/11/2019 - Information Technology Consulting / Erik Nathan: Review declaration. Internal discussion. Validate file name, date, and location referenced in declaration. Restart and configure software environment and re-locate referenced documents.	0.80	\$375.00	\$300.00
Service	09/11/2019 - Report Preparation / Brian Weiss: Prepare August Receiver's report.	0.40	\$495.00	\$198.00
Service	09/11/2019 - Business Operations / Brian Weiss: Prepare information for bankruptcy petition, SOFA and Schedules.	2.90	\$495.00	\$1,435.50
Service	09/11/2019 - Business Operations / Brian Weiss: Search hard copy documents for X-Law asserted cases and prepare documents and correspondence to JR re: same. Scan documents and send to JR.	0.80	\$495.00	\$396.00
Service	09/12/2019 - Business Operations / Brian Weiss: Prepare information and files for bankruptcy petition. Read and provide comments to JR re: draft petition.	4.00	\$495.00	\$1,980.00

Service	09/13/2019 - Business Operations / Brian Weiss: Read and sign bankruptcy petition, Schedules and SOFA.	0.40	\$495.00	\$198.00
Service	09/13/2019 - Business Operations / Brian Weiss: Read and sign preliminary injunction re: sale of art.	0.30	\$495.00	\$148.50
Service	09/23/2019 - Business Operations / Brian Weiss: Prepare final receiver's report.	0.30	\$495.00	\$148.50
Service	09/23/2019 - Business Operations / Brian Weiss: Telco with JR re: motion to terminate receivership due to the bankruptcy filing.	0.20	\$495.00	\$99.00
Service	09/28/2019 - Business Operations / Brian Weiss: Prepare correspondence to F&M to issue payment to Chapter 7 Trustee then to close the bank accounts.	0.10	\$495.00	\$49.50
Service	09/28/2019 - Business Operations / Brian Weiss: Telco with J. Frank re: termination of receivership.	0.30	\$495.00	\$148.50
Service	09/30/2019 - Business Operations / Brian Weiss: Read motion to termination receivership and related declaration. Prepare final invoice.	0.50	\$495.00	\$247.50
Amount Due				\$18,432.00

Notes

Please contact Force 10 for electronic payment information.
EIN# 81-2745810